

Co-op Advertising

Presented by J.W. Owens



A Perspective 101 Series



Co-op Advertising

- What is Co-op Advertising?
- What is a Co-op Plan?
- Why use Co-op Advertising?
- What are the pitfalls of Co-op Advertising?
- Show me some proof!

Co-op Advertising

What is Co-op Advertising?

- Co-op Advertising is a partnership between the Manufacturer and the Retailer established to share the cost of advertising at the local level.

Co-op Advertising

Co-op Advertising is NOT something else to sell.

It is a way to sell!

Co-op Advertising

What is Co-op Advertising?

- Co-op is a manufacturer's way of expanding its national advertising on a local level by subsidizing local retailers' advertising efforts, thus increasing advertising without increasing advertising cost.
 - Currently the estimate of available co-op funds is **over \$40 billion**, with approximately 78% available to newspapers.
 - Each manufacturer's view of co-op is **slightly different**, making it difficult for retailers to understand.

Co-op Advertising

Retailer / Dealer / Advertiser

These words will be used interchangeably during this presentation.

What is Co-op Advertising? Co-op Advertising

- **Terms to Know:**

- **Accrual** – The amount of money earned by a retailer for advertising use; usually based on a percentage of purchases from a manufacturer.

- **Accrual Percentage** – The percentage applied to net purchases by a retailer to determine amounts of accruals. Percentage amount varies with manufacturer.

- **Example of accrual and accrual percentage:**

A manufacturer sets aside a co-op fund with an accrual percentage of 2%.
A retailer purchases \$100,000 of that manufacturer's product.

The retailer has an accrual balance of \$2,000 to spend on advertising.

What is Co-op Advertising? Co-op Advertising

- **Terms to know:**

- **Participation** – The percentage of the advertising a manufacturer will reimburse a retailer, as long as the retailer has sufficient accruals to cover that cost and the advertising meets the manufacturer’s ad specifications.
- **Example of participation:** A retailer who has an accrual balance of \$2,000 runs a series of ads that total \$1,800. If the manufacturer’s participation rate is 50%, the reimbursement that retailer would receive is \$900.

What is Co-op Advertising? Co-op Advertising

■ Terms to know:

- **Accrual Period** – The period of time set by the manufacturer during which purchases earn advertising funds (accruals). Accrual periods might be calendar year, fiscal year, six-month periods, quarterly periods, etc.
- **Performance Period** – The period of time during which ads must be run in order to qualify for co-op reimbursement. The performance period sometimes runs concurrent with the accrual period and sometimes runs after the accrual period is over.
- **Example of accrual and performance periods:** A manufacturer offers a co-op program of 2% of all previous calendar year's purchases. The retailers earn their co-op funds one year and spend them the next. Any purchases they made during the current year are set aside for the next year's co-op fund.

What is Co-op Advertising?

- **Terms to know:**

- **Claim Period** – The period of time allowed by a manufacturer to receive a claim for co-op reimbursement. Some manufacturers give specific date deadlines, while others give periods of time after the ad date (usually 30-60 days).
- **Form of Reimbursement** – Method by which a manufacturer reimburses its retailers for co-op advertising. Forms of reimbursement include: credit memo, check or free goods.
- **Claim Requirements** – The documentation required by a manufacturer in order to process a co-op claim. Most manufacturers require at least a copy of the ad, as it appeared, a copy of the media invoice and some type of claim form.

What is Co-op Advertising?

- **Terms to know:**

- **Eligible Media** - The media a retailer can use and still get his/her reimbursement.

- **Contact Info** - Who, what and where to find out accruals, ad requirements, obtain ad slicks and send claims.

Co-op Advertising

- **Shared Plan (Formal/ Active)** - Manufacturer and the retailer each pay a part of the cost of the ad, 50/50, 75/25, 60/40, etc. In some cases, the manufacturer will pay 100% of the cost of the ad up to the accrued amount of monies.
- **Unlimited Plan-** Manufacturer and the retailer each pay a part of the ad. Accruals are not tied to purchases; manufacturer may or may not state a maximum \$\$ amount or maximum number of ads.
- **Fixed Plan-** Manufacturer pays a flat amount per year. Manufacturer determines buying levels; accruals are not tied to the purchases.
- **Negotiable Plan (Specially Arranged)** - Must be arranged through the manufacturer sales representative and is not based on purchases. This is where good salesmanship comes into play. Dealers have the right to ask for advertising assistance. The goal for the manufacturer's rep is to sell product.. Have a plan! Be creative!

Co-op Advertising

Is it worth it?

1. Co-op advertising will increase the reach and frequency of not only the advertised brand, but also of the store's name.
2. Using co-op will enable retailers to increase the value of their advertising at a lower cost.
3. By using co-op advertising on national brand merchandise, retailers tie in with the manufacturer's national advertising plan on a local level.

Co-op Advertising

Is it worth it?

3. Co-op advertised brands will help sell other products once the consumer is in the store.
4. Collecting money for advertising from a manufacturer will help your retailer be more competitive and enable them to run larger, more frequent ads.
5. Unused co-op accruals cost retailers money. Use it or lose it!

Today's Co-op Buzzwords

Co-op Advertising

- Vendor Support
- Over and Above Money
- Product Development Funds
- Market Development/Discretionary Funds
- Co-Marketing
- Event Marketing

Co-op Advertising

Why Use Co-op

Advertising?

- **Co-op helps to ensure your customer's success.**

We know that repetition works...two scenarios:

1. The more consumers see a message, the better chance they have of remembering the product or service.
2. The more often a message is in the paper, the better chance of consumers seeing it when they are ready to make a purchase.

Co-op Advertising

Why Use Co-op

Advertising?

- Co-op leads to bigger and better revenue- making endeavors!
 - Vendor Support Opportunities
 - Dealer List Opportunities
 - Working with Manufacturer Reps

Why Use Co-op Advertising? Co-op Advertising

- Increased advertising dollars for your advertisers leads to increased revenue for your paper and increased commissions for you!
- Increased advertising leads to more product sales for your advertiser which means more revenue for the advertiser and manufacturer.
- **Bottom Line: Co-op increases revenue!**

What are the pitfalls of Co-op Advertising?

Co-op Advertising

- **Objection:**

- Co-op is too much trouble.

Recas and your media take all of the trouble out of the equation. With use of co-op guidelines and plan comments, you can ensure that the advertiser has a good experience with co-op.

What are the pitfalls of Co-op Advertising?

Co-op Advertising

- **Objection:**

- I tried co-op but did not get reimbursed.

Guidelines must be followed to ensure reimbursement from the manufacturer. Recas provides these guidelines. Also, you can inform your advertisers of the type of reimbursement they should expect...check, credit memo, product, etc.

What are the pitfalls of Co-op Advertising?

Co-op Advertising

- **Objection:**

- I am not even sure I get co-op.

You may not, but doesn't knowing you have the possibility to increase your advertising by 50, 75 or even 100% at no additional cost to you, make it worth finding out?!

What are the pitfalls of Co-op Advertising?

Co-op Advertising

■ **Objection:**

- **I get a percentage discounted up-front on my invoice in place of a co-op fund.**

I can understand you wanting to take a discount, but for a few cents per product, you could invest in an advertising fund that could increase your present business. This would enable you to have more cash flow and make more money than you saved by taking the discount.

What are the pitfalls of Co-op Advertising?

Co-op Advertising

- **Objection:**

- I already use my co-op money on in-house promotional materials.

In-house displays and t-shirts are important for your walk-in customers. But what about those customers who never get to see them because they don't know where your store is located or what brands and products you have to offer?

Co-op Advertising

- Double-billing requests
- Robinson-Pactman Act (FTC)
 - Governs and regulates co-op advertising
 - and double-billing scenarios.

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J.W. Owens - 561-372-5922
results.jwowens@gmail.com

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